

REVENUE DEPARTMENT[701]

Adopted and Filed

Pursuant to the authority of Iowa Code section 421.14, the Department of Revenue hereby amends Chapter 46, “Withholding,” and Chapter 231, “Exemptions Primarily of Benefit to Consumers,” Iowa Administrative Code.

Iowa Code chapter 99B, “Social and Charitable Gambling,” was recently revised and reorganized by 2015 Iowa Acts, chapter 99. Two of the Department’s administrative rules were impacted by those changes.

To reflect the new language of Iowa Code section 99B.21, paragraph 46.1(1)“e” on withholding income tax is updated to include bingo in the list of gambling activities for which income tax must be withheld on prizes over a certain amount.

Rule 701—231.9(423), which is related to an exemption for the sales price from the sale of raffle tickets, cross references Iowa Code section 99B.5, which regulated raffles prior to the reorganization of Iowa Code chapter 99B. Beginning July 1, 2015, raffles are regulated under Iowa Code section 99B.24, and the Department’s rule is updated accordingly. Language in the rule is updated from stating that these sales are “not subject to tax” to more accurately state that they are “exempt from sales and use tax.”

Notice of Intended Action was published in the Iowa Administrative Bulletin as **ARC 2434C** on March 2, 2016. Public comments were allowed until March 22, 2016. No public comments were received on this rule making. These amendments are identical to those published under the Notice of Intended Action.

Any person who believes that the application of the discretionary provisions of these rules would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

The Department of Revenue adopted these amendments on April 6, 2016.

After analysis and review of this rule making, the Department finds that the amendments to these rules are likely to have little or no impact on jobs. These amendments only update the rules to reflect recent changes to the language and organization of Iowa Code chapter 99B.

These amendments are intended to implement Iowa Code sections 422.16 and 423.3(62).

These amendments will become effective June 1, 2016.

The following amendments are adopted.

ITEM 1. Amend paragraph **46.1(1)“e”** as follows:

e. Withholding from prizes from games of skill, games of chance, or raffles. Every person making any payment of a “prize subject to withholding” must deduct and withhold a tax in an amount equal to 5 percent of the prize from a game of skill, a game of chance, or a raffle. Effective July 1, 2015, any person making any payment of a “prize subject to withholding” for bingo must withhold tax in the same manner as persons making payments of prizes subject to withholding for games of skill, games of chance, or raffles. The tax must be deducted and withheld upon payment of the winnings to a payee by the person making this payment. Any person or payee receiving a payment of winnings subject to withholding must furnish the payer with a statement as is required under Treasury Regulation Section 31.3402(q)-1, paragraph “e,” with the information required by that paragraph. Payers of prizes subject to withholding must file Form W-2G with the Internal Revenue Service, the department of revenue, and the payee of the prize by the dates specified in the Internal Revenue Code and in Iowa Code section 422.16. The W-2G form must include the information described in Treasury Regulation Section 31.3402(q)-1, paragraph “f.”

“Prizes subject to withholding” means any payment of a prize where the amount won exceeds \$600.

ITEM 2. Amend rule 701—231.9(423) as follows:

701—231.9(423) Raffles.

231.9(1) *For raffles conducted prior to July 1, 2015.* ~~The~~ Prior to July 1, 2015, the sales price from the sale of tickets for a raffle conducted at a fair pursuant to Iowa Code section 99B.5 is ~~not subject to~~ exempt from sales and use tax.

231.9(2) *For raffles conducted on or after July 1, 2015.* On or after July 1, 2015, the sales price from the sale of tickets for a raffle licensed and conducted at a fair pursuant to Iowa Code section 99B.24 is exempt from sales and use tax.

This rule is intended to implement ~~2005~~ 2016 Iowa Code subsection ~~423.3(61)~~ 423.3(62).

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 4/27/16.